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MEMORANDUM

NATIONAL SECURITY COUNCIL

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INFORMATION

November 29, 1976

MEMORANDUM FOR: WILLIAM G. HYLAND

FROM: ROBERT S. SMITH  
DAVID LAZAR

SUBJECT: The Third World

The topic of "The Third World" was not on anybody's list of transition papers. That indicates what the problem is: nobody has responsibility for it. Bureaucratically it is a "non-problem".

Transmitted herewith is our joint attempt to flag the issue which you may wish to include in the package of transition papers currently being processed.

Attachment

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## THE THIRD WORLD

### ISSUE:

The Third World is a newly emerging phenomenon which does not readily engage our existing bureaucratic structure. Accordingly, we have not yet come to grips with its full implications or really geared up to explore possible responses to its initiatives.

### BACKGROUND:

A newly emerging and rapidly evolving phenomenon on the international scene, but one whose growing importance for us can be predicted with comparative certainty, is the Third World. The Third World is neither a group of countries nor a series of issues; country and issue alignments shift. At this point it probably would be fair to say that the Third World is a state of mind. But it is a very real state of mind to those who hold it and there are a lot of them.

Of increasing importance to the maintenance and growth of this state of mind is the Third World view of the history of the nineteenth and twentieth centuries. The basic theme is the growth of colonialism normally depicted (that is really too strong a word for what is still a vague, ongoing process of historical revision) in more or less classic Marxist terms, i.e., an inevitable outgrowth of exploitative capitalism. More modern times are seen then as the breakdown of the colonial system under the impetus of local, indigenous liberation movements. After liberation, however, the scars of colonialism remain in the form of underdevelopment, the fault, and therefore the responsibility, of the capitalist-colonialist powers. In many cases the economic relationship continues (neocolonialism) after political independence has been achieved.

The theory, obviously, was not launched free-flying from the brow of Marx; it has its contemporaneous nourishing wellsprings also. It would be a serious mistake, however, to regard the phenomenon as nothing more than local reflections of communist bloc propaganda. It has indigenous sources.

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In discourse, the Third World tends to be difficult for us to understand. Its tone is rhetorical and it has the habit of using in a political context words which, to us, are the language of economics. Thus, "capitalist", "socialist", "distribution of wealth", "terms of trade", etc. Had we not witnessed it we might have relegated to the world of Lewis Carroll the scene of the underdeveloped world en masse applauding the four-fold increase in petroleum prices initially decreed by OPEC. It was devastating to their economies, but that was lost, at least initially, under the aura of the underdeveloped world starting to get back its own from the colonialist powers - and paying us back in our own coin of translating economic advantage into political muscle.

As indicated above, not all of the countries in the Third World share a common position on all issues. Nevertheless, a body of basic propositions is emerging around which there is a growing consensus. Among the more prominent of these are:

- Underdevelopment is the fault of the capitalist-developed world. The cure for underdevelopment, therefore, is the responsibility of that world.
- The capitalist-developed world is playing with a stacked deck. The prices of the manufactured goods which the developed world exports, and which the underdeveloped world needs, go up much faster than the prices of the basic raw materials and agricultural products on which the underdeveloped world must rely for its foreign exchange. This is not coincidental but systemic and deliberate.
- The international monetary structure likewise is controlled by and rigged in favor of developed countries. The failure of those countries to relieve the increasing strangulation by official debt of the underdeveloped world is deliberate and contrived. (As an indication of the objective situation, official debt service obligations of Latin America as a whole in 1975 equal 65 percent of total official concessional flows - i.e., "development assistance" to those countries.)

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In order for the underdeveloped world to break its dependence on the exportation, at wildly fluctuating prices, of primary commodities, the Third World says, several things are necessary:

- commodity price stabilization arrangements, including stabilization of demand (with both price and demand on the high side and rising);
- increased investment in manufacturing with uninhibited access of their manufactured products to the markets of the developed world;
- debt rescheduling on generous terms and covering all manner of debt, short to long term, private and official. Some ideologues are demanding a complete restructuring of international credit mechanisms.
- transfer of technology. (Our rhetoric comes back to haunt us. We have long sung our technological superiority as a predominant basis for our high standard of living and international power. The Third World doesn't quite know what it is, but they want some.)

Many of the problems that these beliefs and desires present to us - and will present increasingly to us in the future - are obvious. One such problem may not be obvious. In our governmental structure aid, trade, investment, and international financial arrangements are handled by distinct bureaucratic elements (with the normal "consultation and coordination"). Yet, as indicated above, the Third World, increasingly, is coming to see these problems as related and interdependent (which, of course, they are). Under our present organization the foreign policy coordination function is most frequently handled on a geographic basis. But these problems have no geographic focus, or, rather, they have a multi-regional focus. For example, Venezuelan votes in the UN will be affected not only, and often not even primarily, by its position vis-a-vis other Latin American countries, but also by its role in OPEC and the need to make that role seem "protective" (rather than in derogation) of the interests of non-oil-producing LDC's. This has produced some odd marriages of convenience on specific issues at specific times.

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To the extent that Third World economic proposals coalesce sufficiently to be treated seriously, other entities in our government take the lead: EB in State or STR on trade issues or Treasury on financial matters, or Agriculture on questions within its bailiwick. Each of these, however, tends to attempt to address Third World initiatives in the context of broader policies tailored for other situations. The Third World has no "interpreter" within the bureaucracy as do individual countries or regions, to assure that US interests vis-a-vis the Third World are fully costed out alongside our interests in - say - a given policy proposal on textile imports or food exports or US security.

In attempting to handle "Third World" issues, be it at the UN, CIEC, or as such issues impact on OPEC, etc., we do not have a real grip on the constantly shifting dynamics within this amorphous group of countries. Of even more serious import, we do not presently have the analytical focus to formulate our own initiatives in the principal areas of Third World concern. One price of this is that meanwhile, as the present CIEC meeting in Paris demonstrates, we move, and badly, to their agenda.

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